HSBC Mutual Fund

HSBC Arbitrage Fund

An open ended scheme investing in arbitrage opportunities

July 29, 2026

SEBI Registered Name/Number-HSBC Mutual Fund/MF/046/02/5

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About HSBC Arbitrage Fund

- Enters into simultaneous transactions of a long position in cash and exactly offsetting short position in futures.
- Equity position is completely hedged at trade initiation.
- Towards the expiry or before the expiry of the derivatives contract, the positions are reversed or rolled over.

Market Actions & Overview

- The average roll spreads captured this month was 7.22% annualized.
- Allocation towards hedged equities is at 68.09.
- This rollover saw spreads at modest levels. It started at 59-60 bps before the start of rollover week, gradually reducing to 52 bps until a day prior to expiry.
- Expiry day levels shifted to extremes due to additional margin requirements with limited volumes.
- NSE NIFTY increased 0.5% in July 2026 (MTD) – after increasing by 1.3% in June 2026.
- This month to date, FIIs have bought equities worth $1.3 bn. In June 2026, FIIs sold close to $3 bn in cash.
- AUM of Arbitrage Funds increased compared to previous expiry (Rs 3,52,307 cr vs Rs 3,44,176 cr).
- This month average roll basis was lower than previous expiry, 55 bps vs 57 bps previous month.

Market Movements (Domestically)

- Markets were volatile this month owing primarily to the spike in crude prices.
- June 2026 headline inflation rose to 4.4% (Prior: 3.93%), driven by higher food inflation (5.3%), along with the impact of retail fuel price hikes.
- Food prices saw broad-based momentum, with several categories well above 1% MoM.
- Core inflation stayed flat at 3.9%, as gold and silver prices fell sharply during the month. There was a sharp uptick in monthly momentum to 1% MoM (Prior: 0.75% MoM).
- Goods trade deficit rose to an eight-month high of ~$30 bn in June 2026 (May 2026: ~$28 bn), as exports fell 11% MoM while imports declined 4% MoM.
- Oil imports and exports fell 15% MoM and 42% MoM, respectively.
- Gold and silver imports also fell sharply (42% MoM and 20% MoM, respectively), as global prices dropped.
- With Q1 numbers coming in strong, crude prices & FII flows could be the only major factors to put downward pressure on the markets going forward.

Inception Date
30th June 2014

Benchmark[1]
Nifty 50 Arbitrage Index

Minimum Inv. Amount
Rs. 5,000 & in multiples of Re. 1/- thereafter
Additional Inv. Amount
Rs. 1,000 & in multiples of Re. 1/- thereafter

Exit Load
- Any redemption / switch-out of units on or before 1 month from the date of allotment: 0.25%
- If units are redeemed or switched out after 1 Month from the date of allotment: NIL

Plans & Options
Regular & Direct Plans
Growth & IDCW^
Monthly & Quarterly
(Payout & Re-investment)
^refer note on slide 5

Fund Managers[2]
For Arbitrage Portfolio
Praveen Ayathan
For Debt Portfolio
Mahesh Chhabria
Mohd. Asif Rizwi

[1]As per clause 7.22 of the SEBI Master Circular for Mutual Funds dated March 20, 2026 on Benchmarks for Mutual Fund Schemes' has two-tiered structure for benchmarking of certain categories of schemes. Accordingly, the benchmark has been classified as Tier 1 benchmark.
[2]Fund Manager -Praveen Ayathan - Effective date 30 Jun 2014. Fund Manager -Mahesh Chhabria - Effective date 15 Jul 2023. Fund Manager - Mohd Asif Rizwi - Effective date - 01 Feb 2025.

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Global Markets

- Global equity markets around the world have been mixed this month.
- US CPI rose 3.5% annually in June, less than expected as energy prices eased.
- Economists surveyed by Dow Jones had been looking for a drop of 0.2% and an inflation rate of 3.8%, following the 4.2% reading in May. The monthly drop was the largest since April 2020. Though the inflation readings provided some hope, they are unlikely to motivate Fed officials to lower interest rates anytime soon, with the central bank broadly expected to raise its benchmark rate in September.
- Fed Governor said on 13 July that it would take several months of positive readings to convince him that inflation is moving back to the central bank's 2% target.
- CPI print in the UK came in at 2.6% (YoY) in June 2026 Vs 2.8% in May 2026, slowing more than the estimates (2.7%), the lowest reading since March25
- In the US, 2 of the 3 three major indices are trading negative this month (MTD) – NASDAQ having decreased the most, by 5.1%.
- US10YR was trading higher as compared to the previous month 4.6% vs 4.5% (June 2026).
- US Dollar Index increased marginally compared to last month: 101.4 vs 101.2 (June 2026).
- Crude prices saw a sharp increase this month rising as high as $100/bbl with current levels at $88/bbl vs $73/bbl (June 2026).

The below table indicates the approximate average spread of arbitrage position and does not in any manner indicates any return potential of the scheme. Investors should not consider below as investment advice or recommendation. Past performance may or may not be sustained in future.

Series (Month)	~ Roll Spreads (Annualised)
July'26	7.22%
June'26	7.41%
May'26	6.63%
Apr '26	7.39%
Mar '26	6.77%
Feb'26	6.91%
Jan' 26	8.39%
Dec'25	7.10%
Nov'25	7.43%
Oct'25	6.96%
Sep'25	6.31%
Aug'25	6.92%

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Key Trigger for August Series

- Monsoon Progress
- Macro Economic Data
- Geopolitics
- RBI Meet
- CPI Print

Fund Positioning & Strategy

- The fund has exposure in companies where the fund manager believes, dividend arbitrage opportunities can exists.
- The rest is invested in schemes of HSBC Mutual Fund, G-Secs/ TBILLs and CD's (including for Margin Placements). The debt portion is actively managed but has a conservative maturity profile and a high quality focus: AAA/Sovereign/A1+ portfolio and no exposure to any low rated Debt Instruments or any Perpetual Bonds as on July 29, 2026.

Disclaimer & Product Labelling

July 29, 2026

HSBC Arbitrage Fund

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Arbitrage Fund - An open ended scheme investing in arbitrage opportunities.

This product is suitable for investors who are seeking*

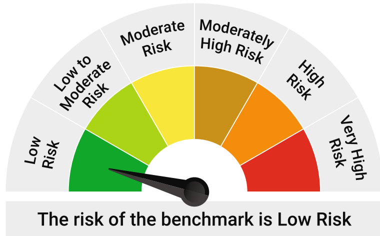
- Generation of reasonable returns over short to medium term
- Investment predominantly in arbitrage opportunities in the cash and derivatives segments of the equity markets; and debt and money market instruments

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Riskometer is as on 30 June 2026,

Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of the particular Scheme.

Benchmark: Nifty 50 Arbitrage Index



Source: Bloomberg, MOSL & HSBC MF estimates as on 30 June 2026 end or as latest available

Note: IDCW stands for Income Distribution cum Capital Withdrawal option. The amounts can be distributed out of investors' capital (Equalizati on Reserve), which is part of the sale price that represents realized gains, as may be declared by the Trustees at its discretion from time to time (subject to the availability of distributable surplus as calculated in accordance with the Regulations).

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The details pertaining to Benchmark & Scheme Risk-o-meter is as on 30 June 2026.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Document remediated as per WCAG 2.2 Level AA standards

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